

Procedure III.3003.B.a, Prevention of Fraud and Fraudulent Actions

Associated Policy

Policy III.3003.B, Prevention of Fraud and Fraudulent Actions

Procedures

The focus of this procedure is theft; fraud; embezzlement; bribery and kickbacks; misappropriation, misapplication, destruction, removal, or concealment of property; and undisclosed conflicts of interest that result in a benefit to themselves or other affiliated parties. These practices or acts shall be referred to collectively as "fraud" or "fraudulent acts" within this procedure. The word "suspected" as used in this procedure indicates the presence of reasonable suspicion, based upon factual observations that such practices or acts are occurring or have occurred.

Examples of conduct subject to this policy include, but are not limited to, the following:

- Misappropriation of college funds, equipment, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Falsification of college records, such as contracts, timesheets, reimbursements, etc.
- Misconduct surrounding financial aid, scholarships, and employee benefits
- Providing false information to others with the intent of obtaining a benefit or harming another person
- Misapplying something of value with the intent of obtaining a benefit or to harming another person
- Self-dealing (e.g., an employee transacts business with an entity in which the employee is an officer or agent)
- Destruction, removal, or personal use of college property, including vehicles
- Bribery and corruptions, including kickbacks
- Misuse of college purchasing card
- Intentional non-compliance with restrictions placed on certain accounts, funds, or grants
- Unauthorized purchases
- Requiring subordinates to perform personal tasks for the supervisor while on the college payroll
- Intentionally failing to follow college purchasing guidelines and restrictions to benefit a friend or family member

Reporting Fraud

- The College, through the internal audit department, shall annually notify all employees that it encourages employees to report specific instances of suspected ethics violations and that retaliation is prohibited against employees who report such violations, as stated in Policy for Protection from Retaliation for Reporting Suspected Wrongdoing and associated Procedure.

- Employees may report suspected violations of policy, acts of fraud, waste and abuse to their supervisors, the Internal Audit Department, or a Strategic Leadership Team member. Under no circumstances shall an employee be required to make a fraud report to a person suspected of the fraud.
- An employee may also report suspected violations of policy, acts of fraud, waste, abuse and other improprieties to the Texas State Auditor's Office or the College's third-party operated anonymous fraud and ethics hotline. The contact information for both the Texas State Auditor's Office and the College's third-party hotline can be found on the home page of the College's website. These services are available 24 hours a day, 7 days a week, 365 days a year and allows each person to communicate concerns anonymously. When reporting via the College's third-party hotline, employees can relay specific concerns and will be assigned a personal reference number for follow up purposes.
- Each person who receives a report alleging a violation of this procedure shall treat the information confidentially and shall share the information only with others in the administration or law enforcement who have a legitimate need to know. Confidentiality is necessary to prevent the destruction, removal, or alteration of evidence; to protect witnesses who have come forward from retaliation; and to minimize the risk of premature disclosure of information that may adversely impact individuals who may be erroneously accused of wrongdoing.
- If the Internal Auditor or Vice Chancellor of Fiscal Affairs receives an allegation of suspected fraud regarding the Chancellor or a Board member, the report shall be promptly shared with the Chairman of the Board of Trustees. If the Chairman of the Board of Trustees is the individual accused of suspected fraud, then the report shall be shared with the Vice Chairman of the Board of Trustees. The Board of Trustees or its designee shall take appropriate action to investigate the complaint. The Board of Trustees may employ an outside investigator or auditor in its discretion.

Examination and Investigation

All reports alleging a violation of this procedure shall be transmitted to the Internal Audit Department through appropriate administrative channels unless the Internal Audit Department is the subject of the report in which case the report shall be transmitted to the Vice Chancellor Fiscal Affairs.

The Internal Audit Department in consultation with the Vice Chancellor, Fiscal Affairs shall review the report and determine whether the incident shall be handled internally and administratively or whether an outside auditor, investigator, or other consultant shall be engaged to conduct the review. Audits performed by the Internal Audit Department shall be conducted in accordance with the Standards for the Professional Practice of Internal Auditing and the Institute of Internal Auditors Code of Ethics. The investigator, whether internal or external, shall promptly investigate each complaint, demonstrating appropriate urgency. Prompt investigation means that the investigation is commenced and completed as expeditiously as possible given the nature and complexity of the allegations.

The Internal Audit Department and/or Vice Chancellor of Fiscal Affairs shall be permitted to engage experts in any field or area and to receive legal counsel as necessary to develop accurate and reliable evidence regarding the claim.

If the Internal Audit Department and Vice Chancellor of Fiscal Affairs determine that temporary suspension or removal of an accused employee from a work site is necessary to preserve evidence, to protect witnesses, or to otherwise ensure the integrity of the investigation, then they shall consult with the Vice Chancellor of Human Resources.

The Internal Audit Department (or other designated investigator) shall prepare a written report following completion of the examination. A written report shall be prepared regardless of whether the claim of fraud is substantiated or not. If a claim of fraud is substantiated, the Internal Audit Department (or other designated investigator) will prepare a report for the Vice Chancellor of Fiscal Affairs, Chancellor, and Chair of the Board of Trustees describing the amount and type of loss, the means or method used to perpetrate the fraud, and recommendations to reduce or prevent additional losses. The Vice Chancellor of Fiscal Affairs will report the suspected fraud to local law enforcement as necessary or appropriate. The Internal Auditor will prepare a summary of all examinations for review by the Board of Trustees.

Employee Training and Acknowledgement

Training related to awareness and reporting suspected or known policy violations, fraud, waste, abuse, and other improprieties is provided to all college employees on an annual basis. Employees are required to confirm that they have reviewed and understand the related policies and procedures and sign an acknowledgement, of such, on an annual basis.

General Considerations Regarding Financial Transactions and the Management of Resources

Each budget manager, along with their supervisor, is responsible for financial resource management in compliance with state or federal law, college policy and procedures, sound business practices, and funding restrictions.

The budget manager and supervisor must ensure that adequate separation of duties exists so that no single employee has sole authority over all facets of a transaction. Checks and balances are necessary to ensure proper oversight at each stage of a transaction or action involving payment or use of funds.

All revenue and expenditures must be timely and properly recorded and accounted for. All college employees who manage financial resources or are involved in financial transactions must be familiar with the policies and procedures regarding those transactions.

Various employees within the College will have authority and responsibility for spending college funds. All employees with such authority must take responsibility for understanding the policies and procedures applicable to purchasing, contracts, and vendor relations.

Unauthorized transactions and purchases shall be the personal financial responsibility of the individual committing the funds.

Note: For information on conflicts of interest see Policy III.3003.A, Ethical Conduct and Conflicts of Interest and the associated procedures.

Definitions

Fraud: Personal enrichment through the deliberate misuse or misapplication of the College’s resources or assets.

Date of SLT Approval	May 18, 2022
Effective Date	June 7, 2022
Associated Policy	Policy III.3003.B, Prevention of Fraud and Fraudulent Actions
Primary Owner of Policy Associated with the Procedure	Vice Chancellor, Fiscal Affairs
Secondary Owner of Policy Associated with the Procedure	Director, Internal Audit